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IN THE

Supreme Court of the United States

In re DBC

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

REPLY BRIEF

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STATEMENT PURSUANT TO RULE 29.6

Petitioner's corporate disclosure statement was set forth at page *ii* of its Petition for a Writ of Certiorari, and there are no amendments to that statement.

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In its Opposition, the United States argues at length that Petitioner DBC, LLC ("DBC") waived its right to challenge the constitutionality of the appointments of at least two administrative patent judges appointed to the Board of Patent Appeals and Interferences ("Board"). DBC could not raise the issue before the Board because DBC did not become aware of the Board's composition until the hearing began. Furthermore, DBC did not waive its right to raise the Appointments Clause issue by bringing it before the Federal Circuit in supplemental, rather than opening, briefing. The Federal Circuit accepted DBC's supplemental briefing, heard extensive oral arguments on the merits of the Constitutional challenge, and addressed part of DBC's argument in its opinion.

The Government also argues that Congress has retroactively and prospectively cured any defect that may have existed by its 2008 Act amending 35 U.S.C. § 6(a). But the statute as amended remains unconstitutional and the retroactive authorization attempted by Congress exceeds its authority. The statute as amended is still unconstitutional because it does not vest in the Secretary of Commerce the absolute and unilateral power to appoint administrative patent judges. Further, Congress lacks the authority to retroactively render valid the acts of the unconstitutionally appointed administrative patent judges. Such an attempt trespasses upon separation of powers and is unprecedented as it exists in the current case.

Review by this Court is needed to ensure that the structural limitation on appointment in the Constitution is preserved from encroachment by the legislative branch and the separation of powers is maintained.

I. THE APPOINTMENTS CLAUSE CHALLENGE WAS TIMELY RAISED AND IS READY FOR SUPREME COURT REVIEW

A. DBC Did Not Waive Its Right To Bring This Appointments Clause Challenge

On the issue of whether DBC waived its constitutional challenge by not raising it with the Board, DBC relies upon the arguments put forward in its Petition, but further addresses the Government's position. In response to DBC's argument that its Appointments Clause challenge was not waived at the agency level, the Government asserts that accepting DBC's claim "would ratify a course of action that deprived the agency of any chance to consider measures that would have *avoided* the alleged constitutional problem." (Resp. 10 (emphasis added).) But the Government's argument actually highlights the need for Supreme Court review of the issues presented in this case. "Agencies do not ordinarily have jurisdiction to pass on the constitutionality of any federal statutes." *Nebraska v. EPA*, 331 F.3d 995, 997 (D.C. Cir. 2003)(citing *Thunder Basin Coal Co. v. Reich*, 510 U.S. 200, 214 (2004)). Thus the Board could have, *at best*, "avoided" the constitutional defect in a *specific* case by switching the panel after the challenge was raised, thereby rendering moot a *specific* party's challenge to the constitutionally infirm statute. But this sets a dangerous standard. The Government's reasoning in essence allows for an unconstitutional panel of the Board to decide a case whenever a party is not savvy enough to challenge the panel composition before the Board, and alternatively allows the Board to moot any challenge that is raised before it.

For example, the Government specifically asserts that DBC should have raised the issue before the Board because the "agency would have had the power to replace the panel members to whom the Petitioner now objects." (Resp. 9-10.) But such a "reshuffling of the deck" has no effect on the unconstitutionality of the statute governing the appointment of Administrative Patent Judges. All that could happen is DBC's "new hand" renders moot its challenge to the unconstitutionally appointed administrative patent judges, but those judges remain in the pool and will be assigned to new panels. Allowing the Board to simply reshuffle its judges each time a party challenges the constitutionality of its panel is tantamount to allowing the agency to circumvent the Constitution. Further, this "reshuffling" would create a constitutional violation capable of repetition yet avoiding review. Thus the Government's reasoning for asserting that DBC waived its constitutional challenge by not bringing it before the Board, and its proposed solution that the Board can simply be reconstituted each time it is challenged, is an abrogation of "the public interest in having the legality of the of the practice settled . . . ." *United States v. W.T. Grant Co.*, 345 U.S. 629, 632 (1953) (concluding that voluntary cessation of allegedly illegal actions did not render the case moot).

B. The Appointments Clause Challenge Is Not Before The Supreme Court On First View

As discussed above and in its Petition, DBC timely raised the Appointments Clause challenge with the first body that could actually remedy the issue – the Court of Appeals for the Federal Circuit. Although DBC first raised the constitutional challenge in its supplemental brief, the Federal Circuit allowed DBC and the

Government to extensively argue the merits of DBC's constitutional challenge before the court on oral hearing. (09/03/08 Oral Argument at 1:06-9:58, 22:45-31:37.) And the Federal Circuit addressed a portion of these arguments in its opinion, although ultimately finding that DBC waived its challenge by failing to raise it before the Board. (App. 6a-15a.) In fact, the Federal Circuit, in determining whether to exercise its discretion to hear DBC's constitutional challenge, ruled that the new statute effectively cured the old constitutional violation (App. 13a-14a.), at once addressing the issue and implicitly ruling that a violation in fact existed and the new statute is constitutional.

Because the Federal Circuit has already heard the issues presented in this Petition, and has addressed at least a portion of those issues, DBC is not asking the Supreme Court to be a "court of first view" (although DBC notes that the Supreme Court has the discretion to hear DBC's challenge even if, as the Government argues, the issue was never considered by the court of appeals). (*See* Resp. 6-7.) The Appointments Clause violation in this case affects the validity of proceedings that comprise the very basis of litigation. *Freytag v. Commissioner*, 501 U.S. 868, 879 (1991). The issue is so important to preserving the propriety of the proceedings before the Board, and the separation of powers upon which our Constitution is based, that the Supreme Court should grant DBC's petition for writ of certiorari.

II. THE QUESTIONS PRESENTED ARE SIGNIFICANT AND SHOULD BE REVIEWED BY THE SUPREME COURT

A. There Is Prospective Importance Because The Amended Statute Is Unconstitutional

In its brief in opposition, the Government argues that the question presented "is one of little prospective importance" because "[a]dministrative patent judges are now appointed by the Secretary of Commerce rather than by the Director of the USPTO." (Resp. 13.) However, the amended version of 35 U.S.C. § 6(a) does not vest absolute power to appoint administrative patent judges in the Secretary of Commerce. (2008 Act 1(a)(1)(B), 122 Stat. 3014 (to be codified at 35 U.S.C. § 6(a).) Rather, under the amended statute, the Secretary of Commerce may only appoint administrative patent judges "in consultation with" the Director of the USPTO. *Id.*

The Government argues that this statutory requirement "creates no serious constitutional concern." (Resp. 13.) However, the cases cited by the Government do not eliminate constitutional concern. Neither case cited by the Government requires a head of department to consult with a subordinate before making an appointment under the Appointments Clause. In *United States v. Hartwell*, an assistant treasurer could appoint other inferior officers "with the approbation of the Secretary of the Treasury." 73 U.S. (6 Wall.) 385, 393-394 (1868). The Assistant Treasurer in that case was required to consult with the head of department, the Secretary of the Treasury, before appointing other

inferior officers. Under the amended version of 35 U.S.C. § 6(a), the Secretary of Commerce, the head of department, is required to consult with the Under Secretary of Commerce, the Director of the USPTO. Further, in *United States v. Moore*, the Secretary of the Navy finalized appointments of naval surgeons as recommended by a board of naval surgeons "designated by the Secretary of the Navy." 95 U.S. 760, 761 (1877). Conversely, the Secretary of Commerce does not designate the Director of the USPTO, with whom the Secretary must consult – the President of the United States appoints the Director of the USPTO. *See* 35 U.S.C. § 3(a)(1). Further, nothing in *Moore* indicated that the Secretary of the Navy lacked the ultimate decision-making power, as the Secretary of Commerce lacks pursuant to 2008 Act 1(a)(1)(B), 122 Stat. 3014 (to be codified at 35 U.S.C. § 6(a)).

B. Congress Cannot Retroactively Authorize An Action Contrary To The Constitution

The Government also argues that "it is well established that Congress may retroactively ratify executive actions, as well as authorized retroactive appointments of officers." (Resp. 15.) But the cases cited for that proposition are inapposite here. In none of the cases the Government relies upon did the Court condone an attempt by Congress to erase a constitutional violation after it had already occurred. First, in *Swayne v. United States*, Congress retroactively authorized the Secretary of Commerce to exercise powers conferred by the Shipping Act to order cancellation of higher shipping rates. 300 U.S. 297, 299-300 (1937). The Court in *Swayne* found no constitutional violation in the first

instance. *Id.* In *United States v. Heinszen*, Congress retroactively authorized tariffs imposed on goods imported into the Philippines. 206 U.S. 370, 378 (1907). Congress was directly authorized to enact the legislation it later attempted to apply retroactively. In neither of these cases did any constitutional provision expressly prohibit Congress from granting the powers it retroactively applied. Contrastingly, under the U.S. Constitution, the Director of the United States Patent Office never had the power to appoint administrative patent judges.

The Government also cites *Quackenbush v. United States* for the premise that Congress may retroactively ratify otherwise illegal actions. (Resp. 15.) However, in *Quackenbush*, Congress authorized retroactive action that contravened *its own law*. 177 U.S. 20, 26 (1900). In the present case, Congress is not authorizing retroactive action that contravened its own law – it is trying to authorize retroactive action that violated the Constitution.

C. The *De Facto* Officer Doctrine Cannot Be Applied To Render Lawful The Actions Of The Unconstitutionally Appointed Judges

The Government attempts to characterize the unconstitutional appointment of the administrative patent judges in question as a "technical defect" so that the *de facto* officer doctrine might apply. (Resp. 18.) But as discussed in DBC's Petition, under this Court's precedent, the Appointments Clause is a structural requirement of the Constitution and an Appointments Clause violation constitutes a "structural defect." (*See*

Pet. 16-17.) *See also Edmond v. United States*, 520 U.S. 651, 659, 663 (1997) (the requirements of the Appointments Clause are "among the significant structural safeguards of the constitutional scheme" and are "designed to preserve political accountability relative to important government assignments"); *Ryder v. United States*, 515 U.S. 177, 182 (1995) (the Appointments Clause "preserves another aspect of the Constitution's structural integrity by preventing the diffusion of the appointment power.").

The United States Department of Justice has acknowledged this Court's position that the Appointments Clause "reflects more than a 'frivolous' concern for 'etiquette or protocol.'" *Officers of the United States within the Meaning of the Appointments Clause*, 2007 OLC Lexis 3, at *2 (April, 16, 2007) (quoting *Buckley v. Valeo*, 424 U.S. 1, 125 (1976)). And the Department of Justice has further stated that it is "not within Congress's power to exempt federal instrumentalities from the Constitution's *structural requirements, such as the Appointments Clause*" and "Congress may not, for example, resort to the corporate form as an 'artifice' to 'evade the 'solemn obligations' of the doctrine of separation of powers.' *Id.* at *4 (quoting *The Constitutional Separation of Powers Between the President and Congress*, 20 Op. O.L.C. 124, 148 n.70 (1996)) (emphasis added).

Furthermore, the Government cites to *Nguyen v. United States* as support for its "technical defect" assertion. However, *Nguyen* distinguished itself from cases involving merely technical defects because in those cases, the judge whose assignment had been questioned "was otherwise qualified to serve, because he was 'a judge of the United States District Court, having all the powers attached to

such office,' and because the Circuit Judge was otherwise empowered to designate him." *Nguyen*, 539 U.S. 69, 78 (2003). In the present case, DBC does not dispute the competency of administrative patent judges Tierney and Moore, but disputes that they were "qualified to serve." *Id.*; *see also American Constr. Co. v. Jacksonville, T. & K. W. R. Co.*, 148 U.S. 372, 387 (1893) ("If the statute made [the judge] incompetent to sit at the hearing, the decree in which he took part was unlawful, and perhaps absolutely void, and should certainly be set aside or quashed by any court having authority to review it by appeal, error or certiorari.") The appointments of the administrative patent judges at issue are challenged because they are rooted in an action which could never have been taken at all – that is, the vesting of power to appoint administrative patent judges with the Director of the USPTO.

The Government has also argued that the *de facto* officer doctrine should be held valid because of "practical consequences." Specifically the Government states that "refusing to give Board decisions *de facto* validity would unsettle the expectations of patent holders and licensees."[1] (Resp. 19.) However, DBC's Appointments Clause challenge does not affect all patent holders and licensees,

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1. The Government also contends that review of "the former method of appointing administrative patent judges is not warranted because of the limited practical significance of that issue." (Resp. 19.) Because the validity of the *de facto* officer doctrine is tied to the validity of the "former method of appointing administrative patent judges," the Government's argument is at odds with its assertion of the unsettled expectations of patent holders and licensees. For the same reasons discussed herein, there is not limited practical significance to the issues raised in this Petition.

but only those cases capable of direct review. The vast majority of patent applicants who have received adverse decisions by the Board have exhausted their rights to judicial review, and consequently, have waived their rights to bring an Appointments Clause challenge. Thus, granting DBC's petition for a writ of certiorari will not affect a significant group of citizens, but will affect those parties who are currently before the Board of Patent Appeals and Interferences, a district court or the Federal Circuit, and who still have the right to raise an Appointments Clause challenge.

In support of the validity of the *de facto* officer defense in the current situation, the Government further cites to "Congress's evident desire" to afford a *de facto* defense. (Resp. 19.) But Congress's desire cannot circumvent the structural requirements of the Constitution, such as the Appointments Clause. *See, e.g.*, *Ryder*, 515 U.S. at 182. And the Government's criticism that DBC "cites no decision in which this Court has declared unconstitutional a federal statutory provision calling for application of the de-facto-officer doctrine" is misguided. (Resp. 19.) In the current United States Code, there are only two instances where Congress has attempted to provide a statutory *de facto* defense: 35 U.S.C. § 6 and 15 USC § 1067, which addresses the appointment of administrative trademark judges and was amended at the same time as 35 U.S.C. § 6. DBC has been unable to find any case where a federal statutory provision calling for application of the *de facto* officer doctrine was *at issue*. The prior absence of such a challenge reaching this Court does not weigh against the Court ruling upon the constitutionality of the *de facto* officer doctrine as applied to the current situation.

CONCLUSION

For the foregoing reasons and those presented in DBC's Petition, the petition for writ of certiorari should be granted.

Respectfully submitted,

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